



**GEMS Financing Program**

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# Residential Financing Product Guidelines

Effective August 9, 2016

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## Disclaimer

The GEMS Program reserves the right to change the Product and its terms at any time; however, any such change will not affect the existing terms and conditions of previously established loans or other prior agreements as established between the State and State Parties. Participation in the Program will be subject to the current GEMS Residential Financing Product Guidelines and other documents signed as part of the Program at the time of participation. Installers must agree to abide by the current terms, responsibilities and guidelines of the GEMS Installer Participation Agreement and GEMS Residential Financing Product Guidelines at the time of each installation, as updated from time to time. If any provisions of this GEMS Residential Financing Product Guidelines are determined to be unlawful, void or for any reason unenforceable, then that provision shall be deemed severable from the Guidelines and shall not affect the validity and enforceability of any remaining provisions.

## ANNOUNCEMENTS

Effective August 9, 2016, the following change(s) have been made to the guide:

- ☐ Updated Section 3.1 Interest Rate (fixed interest rate of 5.99% for all FICO credit scores above 600)

## 1 Program and Product Introduction

The State of Hawaii's Green Energy Market Securitization ("GEMS") Financing Program ("Program") is a loan program designed to make clean energy improvements accessible. Currently, there is a market gap that adversely impacts consumers who are interested in clean energy, but cannot afford the high upfront costs and/or cannot qualify for financing. The GEMS Residential Financing Product was created to target this underserved market segment to enable more consumers to realize energy cost savings and participate in Hawaii's clean energy economy.

The GEMS Residential Financing Product will provide financing for clean energy improvements by offering consumers loan for the purchase of solar photovoltaic ("Solar PV") systems. Financing is available to customers of participating Eligible Installers. The GEMS Program may approve additional financing options in the future such as financing of other technologies that support PV interconnection, financing for the prepayment of leases and/or power purchase agreements, and/or financing of loans with on-bill repayment options.

This document outlines the GEMS Residential Financing Product Guidelines associated with each installation financed through the GEMS Program.

## 2 GEMS Residential Financing Product Eligibility Requirements

To be considered "Eligible" in the Program, the requirements described herein must be met.

### 2.1 Eligible Property

- 1) Property must be an existing single-family residential building.
- 2) Property must be located within the service territories of Hawaiian Electric Company, Inc.; Hawaii Electric Light Company, Inc.; or Maui Electric Company, Ltd.
- 3) The property must be fee simple. Hawaiian Homelands leased lands with at least 25 years remaining on the lease term will also be accepted.
- 4) Evidence of property ownership is required (see Eligible Borrower requirements).

### 2.2 Eligible Borrower

In addition to the Eligible Property requirements, the Eligible Borrower must meet specific criteria in order to be eligible for the GEMS Residential Financing Product. Eligibility criteria for all Borrower(s) is as set forth below.

- 1) All Borrowers must evidence ownership to the Property (i.e., each Borrower must be on the title to the property or the lease).
- 2) The electric utility account must be held in the name of at least one Borrower.
- 3) Consumer credit criteria assessments are based on the lowest credit score of all co-borrowers.

## 2.3 Eligible Installer

Only Eligible Installers may offer the GEMS Residential Financing Product to fund Solar PV installations. For information on becoming an Eligible Installer see Appendix A.

## 2.4 Eligible Projects

Eligible Installations must be Solar PV systems that:

- 1) Have utility approval (NEM or DER).
- 2) Include system monitoring equipment that allows for data access.
- 3) Are accompanied by product and installation warranties with 10-year warranty for Eligible Installer installation/workmanship and 20-year equipment warranty from the manufacturer. Warranty information must be evidenced in an executed sales contract.
- 4) Has a system design that is run through PVWatts, an independent, third-party system assessment. Installers must attest to the accuracy of the designed system information.
- 5) Are sized so that expected production from system cannot be greater than 125% of site usage based on most recent 12-month period at the subject property. A minimum of 6-month history of energy usage is required to determine the 12-month usage requirement. For a system greater than 100% and up to 125% of past annual usage, the borrower or borrower's representative (with a cc to the borrower) must submit an acknowledgement of the oversizing and the reasons for the oversizing.
- 6) Are priced where total cost per watt meets underwriting guidelines that are consistent with industry standards.
- 7) Have financed costs that include: solar panel materials and labor installation, required electrical upgrades, permits, utility interconnection fees, and other hard cost and structural improvements may be assessed.

Projects will be assessed during the Validation/Qualify Project phase of financing process for the GEMS Residential Financing Product. See Section 5.4 for project information that must be evidenced in an executed sales contract.

## 3 Financing Product Terms

### 3.1 Interest Rate

The borrower(s) interest rate is 5.99%.

**Interest rates are subject to change at GEMS Program discretion.**

### 3.2 Loan Amount

The loan may be made for an amount up to 100% of the Eligible Cost of an Eligible Improvement. There is no down payment requirement.

There is a \$75,000 maximum loan amount.

### 3.3 Loan Term

The loan term is for a twenty (20) year period. The interest is fixed and loan payments are fully amortizing over the term of the loan.

There is no prepayment penalty for paying off the outstanding loan balance prior the end of loan term. The Borrower may be eligible to prepay a portion of and re-amortize the loan.

### 3.4 Repayment Terms

The Borrower will receive monthly loan statements from the GEMS Residential Financing Product servicer. The Borrower is to make loan repayments directly to loan servicer via check or automatic clearinghouse ("ACH") payments. Non-ACH payments may be assessed additional fees. Debit and/or credit card payments from the Borrower will not be accepted.

If property is sold or transferred, the Borrower is responsible for repaying the outstanding balance of the loan.

### 3.5 Collateral/Security

UCC-1 and fixture filings will be filed at the applicable county's register of deeds.

Installers must remove any/all liens filed within five (5) business days of receipt of loan proceeds.

## 4 Fees & Funding

Installers will be responsible for the loan origination fees at the loan closing. Upon project completion, the lender will fund the Installer the loan amount net of the origination fee.

### 4.1 Fees

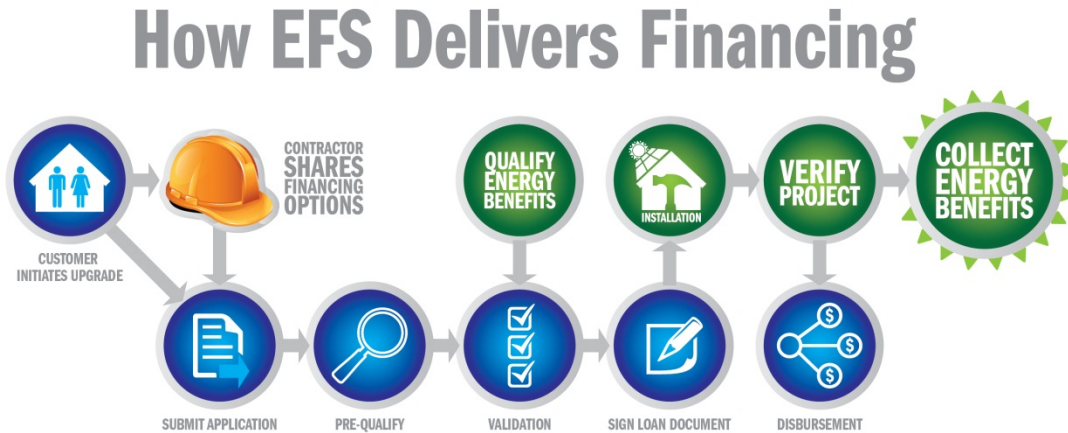
The origination fee shall be the greater of one percent (1.0%) of the loan amount or \$300.

### 4.2 Funding

The Installer will be paid the loan amount net of the origination fee at completion of the project. Project completion is defined in Section 5 below. No loan proceeds will be disbursed prior to completion of the installation.

## 5 Program Process

This section describes the application and financing process for the GEMS Residential Financing Product. The chart below shows the steps to finance an Eligible Improvement through the GEMS.



### 5.1 Scope of Work

The first step in the process is for a potential borrower to work with his/her solar installer to establish a scope of work for a solar electric system for the subject property. Eligible Installers must work with Eligible Borrowers to design a system that meets the Eligible Improvement requirements, as described in the product eligibility requirements section above.

### 5.2 Application

Eligible Installers are encouraged to direct customers who are interested in utilizing the GEMS Residential Financing Product to apply for a loan with Energy Finance Solutions (“EFS”).

Application materials can be found on EFS’s website:

<http://www.energyfinesolutions.com/forhomeowners-hawaii-gems-financing-for-solar-projects>

**Interested customers should apply by submitting a fully completed loan application package online, by mail, fax, or email to EFS. A fully-completed loan application package includes:**

- ☐ Fully completed, signed and dated credit application
- ☐ Copy of most recent utility bill, showing the service address, account number and past 12-month electric usage (6-month minimum).





- ☐ Copy of lease if property is subject to Hawaiian Homelands land lease.
- ☐ Copy of search results from utility Locational Value Map, see [www.hawaiianelectric.com/lvm/](http://www.hawaiianelectric.com/lvm/)

Please note, additional documentation may be requested to make an eligibility determination.

Below are three (3) ways to apply for GEMS Residential Financing Product.

**1. Apply online**

<http://www.energyfinancesolutions.com/forhomeowners-hawaii-gems-financing-for-solar-projects>

**2. Print the application**

Download the credit application on the GEMS Residential Financing Product home page, hosted by EFS.

**3. Submit by mail, or fax**

**Mail:**

Energy Finance Solutions  
431 Charmany Drive  
Madison, WI 53719

**Fax:**

608.249.5788

**Email:**

[efs@energyfinancesolutions.com](mailto:efs@energyfinancesolutions.com)

The residential credit application is not a contract for a loan, nor does it lock Eligible Borrowers into any commitment with an Eligible Installer. The credit application will allow EFS to proceed with the request for a loan to finance solar electric systems.

Upon complete submission of required documentation from Eligible Borrower and Eligible Installer, EFS will provide a response within twenty-four (24) hours, excluding weekends and holidays.

EFS provides contact center support services to answer customer and contractor questions throughout the application and loan closing processes. Interested parties may contact EFS by email at [efs@energyfinancesolutions.com](mailto:efs@energyfinancesolutions.com) or by phone with questions or to request an application by mail at **1.800.600.7066**.

## 5.3 Pre-Qualify

EFS will review the application and issue a notification of the status of the loan. At this point applications will either be pre-approved, pending or denied. EFS will check the following:

- ☐ Consumer Credit Report,
- ☐ Consumer Disclosures, and
- ☐ Eligible Property.



Loan applications will be denied because the applicants are not Eligible Borrowers or Eligible Properties. Applications will be marked “pending” because additional information is required to complete the review. Pre-approved applicants are Eligible Borrowers who have Eligible Properties. Pre-approved applicants will receive information about the interest rate and loan terms. Pre-Approved applicants will be subject to outstanding conditions that will be cleared up in the next step.

Customers applying online will receive an immediate determination if they have been conditionally pre-approved for financing. For customers not conditionally pre-approved right away, an EFS loan specialist will review their files and follow up on approval or denial within one business day.

## 5.4 Validation / Qualify Project

In order to issue a final approval, EFS will need to verify that the project meets all of the Program Eligibility Requirements. In order to complete this review, EFS requires the following **documentation from Eligible Installer:**

- ☐ Executed Sales Contract,
- ☐ NEM or DER application approval,
- ☐ PVWatts system verification (printout), and
- ☐ PVWatts Calculator Certification, signed. (Forms may be found at <http://www.energyfinancesolutions.com/forcontractors-documents-forms>)



The executed sales contract must be for an Eligible Improvement, and meet Eligible Installation requirements, as detailed in Section 2.

The sales contract must also include the following information and documents:

- ☐ System Size (in watts)
- ☐ Total Installed Cost
- ☐ Estimated Year 1 KWh Production

- ☐ Monitoring Equipment
- ☐ Manufacturer's Warranty (20 years on panel & inverter)
- ☐ Workmanship Warranty (10 years)
- ☐ Loan Amount\*

\*An Eligible Installer's contract with the customer must identify the loan amount the customer is seeking. If a customer makes a down-payment to the Eligible Installer, but is interested in financing the full eligible amount of the project, the contract should indicate the amount of the loan desired, and the amount of the down-payment that is to be refunded to the customer by the Eligible Installer upon receipt of the loan proceeds. If a down-payment is not taken by the Eligible Installer, but the customer wishes to take the loan for only a portion of the installation cost, the contract should indicate the customer's desired loan amount.

EFS will verify that all documentation meets Program eligibility requirements.

## 5.5 Approval / Execute Loan Agreements

Upon completion of the Validation phase EFS will issue a final approval and send loan agreements to the Eligible Borrower, or post the documents to the contractor portal to be downloaded, printed, and provided to the customer for execution. The loan documents provided to the Eligible Borrower are the following:

- ☐ Loan Agreement,
- ☐ Notice to Borrower,
- ☐ ACH Form, and
- ☐ Other documents, as necessary.



The loan documents must be signed within ten (10) days. Original or electronically signed copies of the executed loan documents must be sent to EFS.

Upon receipt of executed loan documents by EFS, Installer and Borrower will receive a notice to proceed email from EFS, which indicates you may initiate installation. **Installers must wait for EFS' notice to proceed prior to beginning installation.**

Eligible Installer is responsible for obtaining building permits prior to beginning work.

## 5.6 Installation

Eligible Installer installs improvements.

## 5.7 Completion / Disbursement

Upon completion of the project, EFS will verify that the improvements have been completed according to the requirements of the GEMS Financing



Program. At completion, the Eligible Installer is required to submit to EFS the following documents:

- A completion certificate (see <http://www.energyfinancesolutions.com/forcontractors-documents-forms>), executed by the Eligible Installer and Eligible Borrower;
- A final invoice or contract from the Eligible Installer, which includes detailed scope of work for the Eligible Improvements;
- A copy of closed permits from the appropriate issuing governmental department for all permitted Eligible Improvements and related work;
- Solar equipment identification number (needed to perfect PMSI);
- Executed NEM or DER agreement, commissioning report and/or utility written approval to connect.; and
- Project verification from kWh Analytics.

If a lien was placed on the property during construction the lien must be removed within five (5) business days of the receipt of project funds.

Timing of final loan funding (disbursement) is dependent on when the completion certificate and all other required documents are received and approved by EFS. Upon receipt of a complete closing package, EFS will issue funds within 48 business-hours.

Installers may be funded by ACH or check. For ACH, complete EFS ACH Authorization form: <http://www.energyfinancesolutions.com/sites/energyfinancesolutions.com/files/pdfs/ach-authorization-fillable.pdf>

## 6 Dispute Resolution

Customer dispute resolution will be handle by Electric & Gas Industries Association (EGIA). EGIA is a contractor to the GEMS Program and manages the program installer network including installer qualification, dispute resolution, and installer compliance. The dispute resolution process is outline in Appendix B Dispute Resolution.

## 7 Communications Policy

To preserve the integrity of the GEMS Program, improve effectiveness, and reinforce the program standards, GEMS program participants shall collaborate with HGIA or its designee to prepare all communications, marketing efforts, public statements, and press releases or to plan for any news conference or publicity event that discusses the GEMS program or includes the GEMS logo. Participants shall notify the Program regarding any media interview involving systems installed under the Program. Such materials and plans shall be submitted to the Program for review and approval prior to use. Information about the program must be accurate.

After initial approval such content may be used in subsequent events, public statements, materials or advertisements without additional approvals. In the event that the Program determines that the Program Participant is using the logo incorrectly or presenting or publishing incorrect or misleading information regarding the GEMS Program or the Participant's status in the Program, the participant agrees to make appropriate modifications promptly upon notification by the Program.

Communication collaboration and notification contact:

GEMS Program at 808-587-3868 or [GEMS@dbedt.hawaii.gov](mailto:GEMS@dbedt.hawaii.gov)

## 7.1 Use in Advertising Policy

Commercial promotional and marketing materials, advertisements, informational brochures, and website content produced by the Program Participants that discusses the GEMS program or includes the GEMS logo shall credit the Program and shall be submitted to the Program for review and recommendations to improve their effectiveness prior to use. Such content must be approved in advance by the Program.

After initial approval such content may be used in subsequent events, public statements, materials or advertisements without additional approvals. In the event that the Program determines that the Program Participant is using the logo incorrectly or presenting or publishing incorrect or misleading information regarding the GEMS Program or the Participant's status in the Program, the participant agrees to make appropriate modifications promptly upon notification by the Program. If a website maintained by or for the Program Participant includes references to HGIA, GEMS and / or the Program, the website must include the following link: [Gems.hawaii.gov](http://Gems.hawaii.gov).

## 7.2 Approved Marketing Materials

Approved marketing materials are available at [egia.org](http://egia.org). Use of these materials does not require prior approval from HGIA.

## 7.3 Branding Standards and Requirements

The GEMS Program logo consists of both a graphic and a type treatment. The graphic portion of the logo depicts the two leaves. To reinforce the branding standard of the GEMS Program, the logo must be used correctly. In order to preserve the integrity of the logo, Program Participants, may not attempt to recreate or manipulate the graphic, may not attempt to recreate the type treatment, and all font subtleties must be kept consistent throughout all uses and applications. Do not separate the graphic from the type treatment or attempt to recreate the logo. Program Participants must adhere to the following guidelines to ensure the integrity of the identity is upheld.



## Appendices

### A. Becoming an Eligible Installer

Only Eligible Installers qualified by the GEMS Program may offer utilize this financing the GEMS Residential Financing Product to fund Solar PV system installations. To become an “Eligible Installer” and participate in the GEMS Program, all Installers must agree that their activities and offerings will comply with the terms identified in the GEMS Residential Financing Product Guidelines, or as thereafter amended, and meet and maintain compliance with the GEMS Residential Financing Installer Participation Agreement.

Interested Installers must complete the following GEMS Program forms:

- 1) Installer Enrollment Form
- 2) Trade Reference Form

Enrollment application materials will be submitted to GEMS to be reviewed by Electric & Gas Industries Association (EGIA). EGIA representatives are available at [www.egia.org/gemsfinancingprogram](http://www.egia.org/gemsfinancingprogram), by phone at 866.802.7790 or email [GEMS@egia.org](mailto:GEMS@egia.org).

### B. Dispute Resolution

#### **Consumer/ Contractor Complaint Resolution Process**

The GEMS consumer complaint resolution process is not a legal process. The goal of this process is to enable the consumer and contractor to resolve the consumer’s complaint informally. Complaints between the consumer and installing contractor will typically fall into three main categories: workmanship, warranties and system performance.

#### **Complaint Handling Process:**

1. Consumer notifies program of complaint or dispute with the Installer
  - a. Preferred: Contacts EGIA through the Programs toll-free call center at 800-506-9073 or email [GEMS@egia.org](mailto:GEMS@egia.org) to file complaint.
  - b. Secondary: Contacts the lender and/or deployment partners, program administrator or State representatives. These complaints will be forwarded to EGIA for investigation and resolution.
  - c. If the complaint includes system performance and/or energy savings, EGIA will consult with kWh Analytics who will review performance data and provide EGIA with their

analysis. On an ongoing basis and part of overall Program implementation, each system's production data will be reviewed subsequent to 90 days of system operation in order to evaluate any material underperformance issues that may exist. If material operational issues are identified, the installer will be notified and required to represent to the Program that they have reviewed the system and addressed any installation or operational issues that may be present. As part of the Installer Agreement [Participation Agreement], unsatisfactory handling of material underperformance issues is grounds for disqualification of eligibility under the Program.

2. Within 2 business days of notification of consumer complaint, an EGIA Account Manager will contact the consumer to discuss the complaint, open a complaint file and commence an investigation.
3. Following the consumer discussion the EGIA Account Manager contacts the Installer to notify them of the complaint, get their side of the story and encourage the Installer to contact the consumer directly within 2 business days to address their concerns and agree upon a process and timeline for resolving the dispute.
4. The EGIA Account Manager will follow-up with the consumer and installer within 10 business days of the initial complaint to confirm and document that the complaint is being addressed or is scheduled to be completed to the consumers satisfaction. If a completion schedule is established, EGIA will follow-up with the consumer to ensure that the agreed upon remedy was implemented within the established timeline and to the consumers satisfaction.

Potential Outcomes:

- a. Installer acknowledges responsibility, stands behind their work and remedies the problem to the consumer's satisfaction. Complaint file is documented and the complaint is closed.
- b. The consumer's claims are clearly outside the contract scope with the installing contractor and all required installation standards and performance metrics were met. EGIA Account Manager calls the consumer and explains that the project was installed to standard and that they are responsible for the loan and that the Installer has met their obligation.
- c. EGIA determines that the Installer has not installed to the scope of contract and the Installer disagrees and refuses to take necessary corrective action. Installers refusing to remedy problems that are clearly their responsibility will receive a registered letter from EGIA reminding them of their responsibility and notifying the installer that unless the problem is resolved to the customers satisfaction or a remediation plan put in place the Installer will be suspended from the GEMS program, removed from the program referral directory and that no further financing applications will be accepted. The Program Administrator/ State will be notified immediately in the event that an Installer refuses to remedy a complaint. All disciplinary actions taken against the Installer will be reviewed in advance with the Program Administrator/ State



### Complaint Monitoring & Reporting

EGIA will:

1. Log all consumer complaints and report status on a monthly basis.
2. Establish a location on the Program ShareFile and maintain complete complaint files accessible via password protected access to authorized program management representatives.
3. Track the overall complaint process by Installer to determine trends and proactively reach out to Installers to address any reoccurring issues.